PHILIP MORRIS USA INTER-OFFICE CORRESPONDENCE
120 PARK AVENUE, NEW YORK, NY 10017-5592

TO: Distribution DATE: January 4, 2000

FROM: Market Information/Bruce Neidle

SUBJECT: Weekly Shipment Performance w/e 12/31/99

Preliminary Full Year Shipments*

Preliminary industry volume for full year 1999 was 419.4 billion units, down –9.0% versus year-ago.

PM's shipment volume for 1999 was 208.2 billion units, down –8.5% versus year-ago. PM's preliminary share for full year 1999 was 49.6%, up +0.2pp versus year-ago. PM's preliminary shares of Premium and Discount category for the year were 59.5% (+1.1pp) and 22.4% (-2.6pp), respectively.

Preliminary Discount category share for the year was 26.6%, down –0.4pp versus year-ago.

**Note: Full year volume and share estimates will be revised when the MSA Total US database is updated through December. These numbers do not reflect U.S. possessions outside the 50 states.*

Weekly Shipments

Industry volume during this holiday-shortened week was below recent averages at 7.0 billion units. Among the major manufacturers, PM shipped three days while the other four shipped four days.

To some extent, competitive manufacturers' performance may have been impacted by Y2K or year-end trade programs. After atypically low shares last week, B&W's share of industry was up +1.3pp versus its 13wk average to 14.1%; Liggett was up +2.4pp to 3.7%.

Corresponding with the presumed competitive year-end programs, PM's weekly shares were below recent averages at: SOI: 48.0%; Premium SOC: 58.8%; and Discount SOC: 16.5%.

The Discount category share for the week was up +2.6pp versus last week to 25.7%.

PM-USA December Performance

		Volume			Share		
	W/E	PROJ	ACTUAL	ACTUAL VS. PROJ	PROJ	ACTUAL	ACTUAL VS. PROJ
(3 days)	12/3	2,315	1,923	(392)	50.4%	49.1%	(1.3)
	12/10	4,057	3,254	(803)	50.4%	48.0%	(2.4)
	12/17	3,382	3,432	50	50.3%	49.3%	(1.0)
	12/24	3,987	4,368	381	50.1%	54.2%	4.1
	12/31	2,959	3,375	416	49.2%	48.0%	(1.2)
December		**16,700**	**16,352**	**(348)**	**50.1%**	**49.9%**	**(0.2)**

All numbers are rounded.

2070128249

Source: https://www.industrydocuments.ucsf.edu/docs/kxnm0004

Variance Explanation

w/e 12/31
PM's volume was above projection primarily due to timing of McLane's inventory changes versus expectations. PM's share was below projection likely due to stronger than anticipated competitive activity.

w/e 12/24
PM's performance was above projection primarily due to timing of McLane's inventory changes versus expectations.

w/e 12/17
PM's volume was close to projection. PM's share was below projection likely due to continued inventory depletion by McLane and lower than expected PM promotional shipments.

w/e 12/10
PM's volume was below projection likely due to the timing of McLane's and other top accounts' inventory depletion as well as by lower than anticipated shipments of Marlboro product promotion. Similarly, share was below projection likely due to McLane's inventory depletion and lower than expected promotional shipments.

3 days ending 12/3
PM's performance was below projection likely due to depletion of inventory by McLane and other top direct accounts.

2070128250

Source: https://www.industrydocuments.ucsf.edu/docs/kxnm0004

PRELIMINARY WEEKLY VOLUME AND SHARE
W/E 12/31/99

THIS WEEK'S RESULTS

	INDUSTRY	PHILIP MORRIS	RJ REYNOLDS	B & W	LORILLARD	LIGGETT	ALL OTHER MFGRS
VOLUME							
Current Week	7,038	3,375	1,493	993	698	263	216
Diff. vs. 1998	-1,359	-899	-357	-89	-31	-76	94
% Change vs. '98	-16.2%	-21.0%	-19.3%	-8.2%	-4.2%	-22.5%	76.6%
SHARE							
Current Week		48.0%	21.2%	14.1%	9.9%	3.7%	3.1%
Diff. vs. 1998		-2.9%	-0.8%	1.2%	1.2%	-0.3%	1.6%
FORECAST	7,488	3,489	1,814	1,065	859	85	175
Diff. vs. Forecast	-450	-114	-322	-72	-161	177	41
CURR. PROJECTION	6,020	2,959					
Diff. vs. Projection	1,018	416					
PREMIUM							
Volume	5,230	3,076	1,014	497	618	10	15
Share of Category	74.3% *	58.8%	19.4%	9.5%	11.8%	0.2%	0.3%
Contribution		91.1%	67.9%	50.1%	88.6%	3.7%	6.8%
DISCOUNT							
Volume	1,808	299	479	496	80	253	202
Share of Category	25.7% *	16.5%	26.5%	27.4%	4.4%	14.0%	11.2%
Contribution		8.9%	32.1%	49.9%	11.4%	96.3%	93.2%

PRELIMINARY WEEKLY VOLUME AND SHARE
W/E 12/31/99

QUARTER TO DATE

	INDUSTRY	PHILIP MORRIS	RJ REYNOLDS	B & W	LORILLARD	LIGGETT	ALL OTHER MFGRS
VOLUME							
QTD	104,560	52,317	23,527	13,467	10,588	1,514	3,148
1998 Actual	111,829	54,555	26,915	16,481	10,587	1,686	1,483
Diff. vs. 1998	-7,268	-2,238	-3,389	-3,014	1	-171	1,665
% Change vs. '98	-6.5%	-4.1%	-12.6%	-18.3%	0.0%	-10.2%	112.3%
SHARE							
QTD		50.0%	22.5%	12.9%	10.1%	1.4%	3.0%
Diff. vs. 1998		1.3%	-1.6%	-1.9%	0.7%	-0.1%	1.7%
FORECAST	105,385	52,589	23,954	14,063	11,340	1,126	2,313
Diff. vs. Forecast	-825	-272	-427	-597	-752	389	835
PREMIUM							
Volume	76,929	46,201	14,839	6,602	8,930	140	215
Share of Category	73.6% *	60.1%	19.3%	8.6%	11.6%	0.2%	0.3%
Diff. vs. 1998	1.2%	2.5%	-1.4%	-1.2%	0.3%	-0.3%	0.1%
Contribution		88.3%	63.1%	49.0%	84.3%	9.3%	6.8%
DISCOUNT							
Volume	27,632	6,115	8,687	6,864	1,658	1,374	2,933
Share of Category	26.4% *	22.1%	31.4%	24.8%	6.0%	5.0%	10.6%
Diff. vs. 1998	-1.2%	-3.6%	-1.5%	-2.9%	1.2%	0.7%	6.0%
Contribution		11.7%	36.9%	51.0%	15.7%	90.7%	93.2%

*Share of Industry

2070128251

Source: https://www.industrydocuments.ucsf.edu/docs/kxnm0004

PRELIMINARY WEEKLY VOLUME AND SHARE
W/E 12/31/99

4WM AVERAGE

	INDUSTRY	PHILIP MORRIS	RJ REYNOLDS	B & W	LORILLARD	LIGGETT	ALL OTHER MFGRS
VOLUME							
Latest 4 Wks	7,209	3,607	1,590	900	752	139	222
Diff. vs. Pr. 4WM	-100	-92	-29	11	-25	35	0
Change v Pr 4WM	-1.4%	-2.5%	-1.8%	1.2%	-3.2%	33.6%	0.2%
Diff. vs. YAG 4WM	49	-22	-82	-47	107	-24	117
Change vs. YAG 4WM	0.7%	-0.6%	-4.9%	-5.0%	16.6%	-14.8%	112.1%
SHARE							
Latest 4 Wks		50.0%	22.0%	12.5%	10.4%	1.9%	3.1%
Diff. vs. Pr. 4WM		-0.6%	-0.1%	0.3%	-0.2%	0.5%	0.0%
Diff. vs. YAG 4WM		-0.6%	-1.3%	-0.7%	1.4%	-0.4%	1.6%
PREMIUM							
Volume	5,404	3,225	1,054	449	651	10	15
Change v Pr 4WM	-1.0%	-1.7%	0.4%	2.5%	-1.9%	-2.6%	-0.6%
Share of Category	75.0% *	59.7%	19.5%	8.3%	12.0%	0.2%	0.3%
Diff. vs. Pr. 4WM		-0.4%	0.3%	0.3%	-0.1%	0.0%	0.0%
Diff. vs. YAG 4WM		1.1%	-1.3%	-1.0%	1.4%	-0.4%	0.1%
DISCOUNT							
Volume	1,805	382	535	451	101	130	207
Change v Pr 4WM	-2.5%	-8.9%	-5.8%	0.0%	-10.6%	37.3%	0.3%
Share of Category	25.0% *	21.2%	29.6%	25.0%	5.6%	7.2%	11.4%
Diff. vs. Pr. 4WM		-1.5%	-1.0%	0.6%	-0.5%	2.1%	0.3%
Diff. vs. YAG 4WM		-9.7%	-0.1%	1.8%	0.6%	0.5%	6.9%

PRELIMINARY WEEKLY VOLUME AND SHARE
W/E 12/31/99

13WM AVERAGE

	INDUSTRY	PHILIP MORRIS	RJ REYNOLDS	B & W	LORILLARD	LIGGETT	ALL OTHER MFGRS
VOLUME							
Latest 13 Wk	7,911	3,955	1,780	1,020	804	114	239
Diff. vs. Pr. 13WM	-99	-61	-33	-4	-6	11	-4
Change vs. Pr. 13WM	-1.2%	-1.5%	-1.8%	-0.4%	-0.8%	10.7%	-1.8%
Diff. vs. YAG 13WM	-412	-103	-222	-205	19	-13	113
Chnge vs. YAG 13WM	-4.9%	-2.5%	-11.1%	-16.8%	2.4%	-10.4%	89.9%
SHARE							
Latest 13 Wk		50.0%	22.5%	12.9%	10.2%	1.4%	3.0%
Diff. vs. Pr. 13WM		-0.1%	-0.1%	0.1%	0.0%	0.2%	0.0%
Diff. vs. YAG 13WM		1.2%	-1.6%	-1.8%	0.7%	-0.1%	1.5%
PREMIUM							
Volume	5,819	3,492	1,123	500	678	11	16
Change v Pr 13WM	-1.1%	-1.1%	-1.8%	-0.2%	-0.3%	-3.8%	-0.5%
Share of Category	73.6% *	60.0%	19.3%	8.6%	11.6%	0.2%	0.3%
Diff. vs. Pr. 13WM	0.1%	0.0%	-0.1%	0.1%	0.1%	0.0%	0.0%
Diff. vs. YAG 13WM	1.3%	2.4%	-1.4%	-1.1%	0.4%	-0.3%	0.0%
DISCOUNT							
Volume	2,092	462	658	520	126	104	223
Change v Pr 13WM	-1.6%	-4.3%	-2.0%	-0.6%	-3.1%	12.4%	-1.9%
Share of Category	26.4% *	22.1%	31.4%	24.9%	6.0%	5.0%	10.6%
Diff. vs. Pr. 13WM	-0.1%	-0.6%	-0.1%	0.2%	-0.1%	0.6%	0.0%
Diff. vs. YAG 13WM	-1.3%	-3.5%	-1.4%	-2.9%	1.2%	0.7%	5.8%

*Share of Industry

2070128252

Source: https://www.industrydocuments.ucsf.edu/docs/kxnm0004

PRELIMINARY WEEKLY VOLUME AND SHARE
W/E 12/31/99

YEAR TO DATE

	INDUSTRY	PHILIP MORRIS	RJ REYNOLDS	B & W	LORILLARD	LIGGETT	ALL OTHER MFGRS
VOLUME							
YTD	419,353	208,151	96,436	56,057	43,667	5,245	9,798
1998 Actual	460,768	227,590	110,479	69,131	42,111	5,901	5,556
Diff. vs. 1998	-41,415	-19,439	-14,044	-13,074	1,556	-656	4,242
% Change vs. '98	-9.0%	-8.5%	-12.7%	-18.9%	3.7%	-11.1%	76.4%
SHARE							
YTD		49.6%	23.0%	13.4%	10.4%	1.3%	2.3%
Diff. vs. 1998		0.2%	-1.0%	-1.6%	1.3%	0.0%	1.1%
FORECAST	414,901	207,000	95,426	55,855	43,716	4,606	8,299
Diff. vs. Forecast	4,452	1,151	1,009	203	-49	639	1,499
PREMIUM							
Volume	307,929	183,206	60,368	27,085	35,681	841	747
Diff. vs. 1998	-28,628	-13,381	-8,808	-4,309	-1,375	-734	-20
% Change vs. '98	-8.5%	-6.8%	-12.7%	-13.7%	-3.7%	-46.6%	-2.6%
Share of Category	73.4% *	59.5%	19.6%	8.8%	11.6%	0.3%	0.2%
Diff. vs. 1998	0.4%	1.1%	-0.9%	-0.5%	0.6%	-0.2%	0.0%
DISCOUNT							
Volume	111,425	24,944	36,067	28,972	7,986	4,404	9,051
Diff. vs. 1998	-12,787	-6,058	-5,235	-8,765	2,931	78	4,262
% Change vs. '98	-10.3%	-19.5%	-12.7%	-23.2%	58.0%	1.8%	89.0%
Share of Category	26.6% *	22.4%	32.4%	26.0%	7.2%	4.0%	8.1%
Diff. vs. 1998	-0.4%	-2.6%	-0.9%	-4.4%	3.1%	0.5%	4.3%

*Share of Industry

Note: Company volumes may not sum to Total Industry due to rounding.
Volume differences, percentages and share figures are calculated on full precision numbers.

2070128253

Source: https://www.industrydocuments.ucsf.edu/docs/kxnm0004